

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 EB-07 ABF-01 FS-01 TRSE-00 OMB-01

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R 120953Z JUL 76

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 6718

INFO AMEMBASSY BANGKOK

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMCONSUL HONG KONG

AMCONSUL UDORN

CINCPAC

LIMITED OFFICIAL USE SECTION 1 OF 2 VIENTIANE 1658

E.O. 11652: N/A

TAGS: ECON EGEN ABUD APER LA

SUBJECT: LAO GOVERNMENT SALARY SCALE

TOKYO FOR MAC CALLUM, PER

CINCPAC FOR POLAD

REF VIENTIANE A-06 OF 16 FEBRUARY 1976 NOTAL

SUMMARY: SINCE JUNE 15 CURRENCY CONVERSION LAO
GOVERNMENT HAS IMPLEMENTED ITS LONG-PLANNED "LIBERATION
KIP" WAGE SCALE, WHICH GIVES CIVIL SERVANTS A RELATIVE
ADVANTAGE IN SALARIES OVER EMPLOYEES OF EMBASSIES,
UNITED NATIONS AGENCIES AND PRIVATE FIRMS IN VIENTIANE.
THOSE EMPLOYERS ARE NOW STUDYING SITUATION, AS ARE WE,
AND SOME HAVE ALREADY REVISED THEIR OWN SALARY LEVELS
UPWARDS. THIS TELEGRAM BRINGS TOGETHER INFORMATION WE
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HAVE BEEN ABLE TO COLLECTION SUBJECT. END SUMMARY.

1. FRENCH COMMERCIAL ATTACHE JEN-PIERRE ROUZO TOLD EMBOFFS JULY 8 THAT MFA OFFICIAL HAD CONFIRMED TO FRENCH EMBASSY YAP-LAO GOVERNMENT SALARY SCALE NOW IN EFFECT IS SAME AS THAT PUBLISHED IN JANUARY 1976 (SEE REFAIR). ROUZO NOTED THAT WHEN THIS SALRY SCALE WAS PASSED IN JANUARY IT WAS ANTICIPATED THAT THE "NEW KIP" WHICH WOULD BE INTRODUCED LATER WOULD HAVE THE VALUE OF EIGHT "VIENTIANE" KIP EACH. IN FACT, WHEN THE "LIBERATION" (OR EXISTING LAO PATRIOTIC FRONT) KIP WERE INTRODUCED IN JUNE 15, 1976, THE OFFICIAL RATE OF CONVERSION OF "VIENTIANE" KIP FOR "LIBERATION" KIP WAS SET AT 20:1, NOT 8:1. THEREFORE, IMPLEMENTATION OF JANUARY SALARY SCALE REPRESENTS A RELATIVE SALARY INCREASE OF 250 PER CENT FOR CIVIL SERVANTS VIS-A-VIS NIMTN R KIP WAGE - EARNERS IN VIENTIANE (INCLUDING EMBASSY FSLE'S) WHOSE SALARIES WERE DIMINISHED BY FACTOR OF 20 AT TIME OF CONVERSION.

2. ALTHOUGH IMPLEMENTATION OF JANUARY SALARY SCHEDULE APPEARS TO BE WINDFALL FOR CIVIL SERVANTS, IT WILL NOT MEAN LARGE INCREASES IN REAL PURCHASING POWER BECAUSE THE PRICES OF MANY ORDINARY PRODUCTS AND GNERAL COST OF LIVING IN VIENTIANE HAVE SOARED SINCE THE CURRENCY CONVERSION JUNE 15. BLACK-MARKET RATE FOR "LIBERATION" KIP TO DOLLAR HAS ALSO SOARED, FROM 300-600 KIP PER US DOLLAR ON JUNE 18 TO RANGE OF 750-900 KIP PER DOLLAR BY JULY 8 AND REPORTEDLY TO 1030 BY JULY 12. BLACK-MARKET RATE IS PROBABLY BEING DRIVEN UP ARTIFICALLY BY PERSONS WHO WANT TO CONVERT THEIR KIP INTO HARD CURRENCIES AND LEAVE LAOS; LAO AUTHORITIES HAVE JUST BEGUN TO ALLOW BUSINESSMEN AND PRIVATE CITIZENS TO WITHDRAW IN "LIBERATION" KIP THE EQUIVALENTS OF "VIHBTIANE" KIP HOLDINGS ABOVE IMMEDIATE CASH CONVERSION LIMITS IMPOSED JUNE 15 (200,000 PER FAMILY; 500,000 PER BUSINESS ESTABLISHMENT; ETC.). RESULT IS SUDDEN INCREASE IN AVAILABILITY OF "LIBERATION" KIP FOR PURCHASE OF DOLLARS AND BAHT, PARTICULARLY BY BUSINESSMEN, MANY OF WHOM ARE UNDOUBLEDLY CONSIDERING LEAVING LAOS. EVEN IF IT IS ARTIFICIAL, BLACK-MARKET RATE HAS LIMITED OFFICIAL USE

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REAL IMPACT ON PRICE OF GOODS IN VIENTIANE, ESPECIALLY ON ARTICLES OF ORDINARY USE AND ON PRODUCE SMUGGLED INTO VIENTIANE MARKETS FROM THAILAND.

3. AFTER DISCUSSION WITH ROUZO, EMBOFFS COMPARED COMPENSATION SCHEDULE OF LAO GOVERNMENT AS SUBMITTED IN VIENTIANE A-06 WITH ACTUAL NEW SALARIES BEING PAID BY ONE OFFICE IN LAO MINISTRY OF FINANCE, WHOSE PAYROLL

WE WERE ABLE TO OBTAIN. WE FOUND THAT NEW BASIC SALAR-
IES ARE INDEED THOSE ANNOUNCED IN JANUARY. HOWEVER,
CHANGES IN ALLOWANCE SUBSTRUCTURE DESCRIBED IN AIRGRAM
WERE INTRODUCED IN MARCH 1976. (FOREGOING CONFIRMED BY
TWO MINISTRY OF FINANCE OFFICIALS JULY 3 MESSRS.
BOUTHEUNG PHIMPHACHANH, DIRECTOR OF BUDGET, AND
BOUNSOUANE THAVONEKHAM, DIRECTOR OF FOREIGN EXCHANGE
OPERATIONS WHO WAS ALSO LAO REPRESENTATIVE TO THE NOW-
DEFUNCT FEOF.)

4. NEW ALLOWANCE SYSTEM IS SIMPLER THAN THAT DESCRIBED
IN REF AIR. INSTEAD OF COMPLICATED FORMULA FOR FAMILY
ALLOWANCES WHICH VARIED ACCORDING TO AGES OF DEPENDENTS,
ETC., LAO CIVIL SERVANTS ARE NOW GIVEN STANDARDIZED
MONTHLY FAMILY ALLOWANCE OF 800 "LIBERATION" KIP FOR
THEIR WIVES AND 600 KIP FOR EACH CHILD. (THESE
AMOUNTS ARE LOWER THAN THOSE SPECIFIED IN JANUARY
COMPENSATION SCALES FOR DEPENDENTS.) IN ADDITION TO
FAMILY ALLOWANCE, THERE IS "LONGEVITY OF SERVICE"
ALLOWANCE, WHICH VARIES FROM 200 TH 500 KIP PER MONTH,
FOR FUNCTIONARIES WHO WORKED WITH LAO COMMUNIST
MOVEMENT BEFORE 1975. (THIS ALLOWANCE IS USED TO
DISTINGUISH LONG-TIME LAO COMMUNIST CADRES FROM OLD
"VIENTIANE-SIDE" CIVIL SERVANTS.)

5. PAYROLL WE CONSULTED SHOWS SIX PER CENT DEDUCTION
FROM BASIC SALARY FOR RETIREMENT WHICH IS, IN EFFECT,
RESTORED BY SIX PER CENT "COST OF LIVING" ALLOWANCE
(AGAIN, ON BASIC SALARY ONLY) FOR CIVIL SERVANTS
ASSIGNED TO VIENTIANE AND LUANG PRABANG. FINALLY, NEW
ALLOWANCE SYSTEM PROVIDES UNSPECIFIED MATERNITY AND
HEALTH BENEFITS. THERE ARE BLANKS FOR ENTERING THESE
BENEFITS ON PAYROLL PRINTOUT, BUT IN THIS PARTICULAR
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OFFICE EVIDENTLY NO SUCH BENEFITS HAD BEEN CLAIMED THUS
FAR.

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INFO OCT-01 EUR-12 ISO-00 EB-07 ABF-01 FS-01 TRSE-00 OMB-01

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6. TO TAKE ACTUAL EXAMPLE OF HOW NEW SALARY SCALE WORKS, AN ASSISTANT CHIEF OF SERVICE (CATEGORY 10A ON COMPENSATION SCHEDULE AS OUTLINED REPAIR) MAKES 8,980 "LIBERATION" KIP AS HIS BASIC SALARY, JUST AS STATED IN JANUARY COMPENSATION SCHEDULE. SIX PER CENT OF THIS AMOUNT (OR 538.80 KIP) IS DEDUCTED FOR RETIREMENT FUND, BUT IS THEN RESTORED IN FORM OF COST-OF-LIVING ADJUSTMENT FOR VIENTIANE. HE RECEIVES NO HEALTH OR MATERNITY BENEFITS DURING MONTH OF JUNE. SINCE HIS IS NOT LONG-TIME COMMUNIST CADRE, HE RECEIVES NO "LONGEVITY OF SERVICE" ALLOWANCE. HE DOES RECEIVE 800 KIP FOR HIS WIFE AND 2400 KIP FOR FOUR CHILDREN (600 KIP EACH), BRINGING HIS TOTAL MONTHLY SALARY TO 12,700 KIP. SAME PERSON IN SAME JOB RECEIVED 96,000 "VIENTIANE" KIP (OR 4800 "LIBERATION" KIP), INCLUDING FAMILY ALLOWANCE, FOR MONTH OF MAY. HE HAD RECEIVED 104,000 "VIENTIANE" KIP FOR FEBRUARY, WHEN HIGHER FAMILY ALLOWANCES WERE STILL IN EFFECT.

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7. ROUZO TOLD EMBOFFS THAT FRENCH EMBASSY PLANS TO INCREASE SALARIES OF LOCAL EMPLOYEES, AND THAT, WITH 330 PER CENT OFFICIAL DEVALUATION OF "LIBERATION" KIP IN RELATION TO DOLLAR (FROM 60 TO 198), IT WOULD NOT BE DIFFICULT FOR FRENCH EMBASSY TO FIND MONEY TO PAY FOR INCREASES. WE HAVE ALSO HEARD FROM OTHER LOCAL EMPLOYERS (INCLUDING SEVERAL EMBASSIES) WHO PLAN TO

IMPLEMENT PAY INCREASES OR HAVE ALREADY DONE SO. MANAGER OF LAO WOOD INDUSTRIES' FURNITURE FACTORY IN VIENTIANE CHRISTOPHER NOWACKI TOLD EMBOFFS JULY 9 THAT HIS COMPANY HAS JUST GIVEN 120 PER CENT SALARY INCREASE TO ITS LABORERS, AND IS SUPPLEMENTING INCREASE WITH ONE FREE MEAL A DAY. NOWACKI SAID HIS COMPANY WANTED TO GRANT A MORE SUBSTANTIAL INCREASE, IN LINE WITH EFFECTIVE INCREASE RECEIVED BY GOVERNMENT EMPLOYEES, BUT FACED KIP LIQUIDITY PROBLEM AND COULD NOT AFFORD MORE.

8. ACCORDING TO UNDP DEPUTY RESIDENT REPRESENTATIVE ROGER GUARDA, UN OFFICES IN VIENTIANE, WHICH TOGETHER PROBABLY REPRESENT SECOND LARGEST EMPLOYER AFTER LAO GOVERNMENT, HAVE ALREADY IMPLEMENTED PARTIAL PAY INCREASE, BASED ON WAGE SURVEY DONE AFTER JUNE 15 CURRENCY CONVERSION. GUARDA STATED THAT HIS AGENCY HAD OBTAINED INFORMATION ON LAO GOVERNMENT SALARY SCALE FROM CHIEF ACCOUNTANT OF MINISTRY OF FOREIGN AFFAIRS. BASED ON THIS INFORMATION AND CONSULTATION WITH LOCAL EMBASSIES AND BUSINESSES, UN OFFICES HERE HAD RECOMMENDED THAT UN INCREASE SALARIES OF LOWEST-PAID EMPLOYEES TO 4245 KIP PER MONTH, WHICH GUARDA STATED WAS LOWEST BASIC SALARY PAID BY LAO GOVERNMENT. UN OFFICES HERE ALSO RECOMMENDED THAT ALL EMPLOYEES BE PAID FAMILY ALLOWANCES OF 600 KIP PER MONTH PER CHILD--SAME AS LAO GOVERNMENT ALLOWANCE FOR CHILDREN. FINALLY, ON BASIS OF THEIR WAGE SURVEY, UN OFFICES HERE RECOMMENDED TO NEW YORK SALARY INCREASES, BUT AT REGRESSIVE RATES OF INCREASE, FOR HIGHER-ECHELON EMPLOYEES. GUARDA TOLD EMBOFF THAT UN IN NEW YORK HAS ALREADY AUTHORIZED INCREASE IN SALARIES FOR LOWEST-PAID EMPLOYEES TO 4245 KIP AND THE PAYING OF 600 KIP PER MONTH PER CHILD FAMILY ALLOWANCE TO ALL EMPLOYEES, AND THAT THIS INCREASE HAS BEEN IMPLEMENTED. NSGUARDA STATED THAT NEW YORK IS STILL STUDYING PAY IN-

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CREASES FOR HIGHER-ECHELON EMPLOYEES AND HE WAS UNABLE TO SAY WHAT INCREASES NEW YORK WOULD APPROVE FOR THESE EMPLOYEES.

9. THIS EMBASSY'S HIGHEST-PAID LAO LOCAL EMPLOYEE, WITH MANY YEARS' SENORITY, IS NOW MAKING 9980 "LIBERATION" KIP PER MONTH. MAJORITY OF EMBASSY LOCAL EMPLOYEES MAKE ABOUT 5000 KIP PER MONTH. LOWEST-PAID EMBASSY LOCAL EMPLOYEES MAKE ONLY 2,000-3,000 KIP PER MONTH. FROM NEW GOVERNMENT SALARY SCHEDULE WE HAVE SEEN AND WORKING WITH NEW ALLOWANCE STRUCTURE, IT WOULD APPEAR THAT HIGHEST-PAID LAO CIVIL SERVANTS (NOT POLITICAL LEVEL) NOW MAKE ABOUT 14-15,000 KIP PER MONTH. LOWEST FUNCTIONARY ON PAYROLL WE SAW WAS MAKING 4,660

KIP PER MONTH AND HAD NO DEPENDENTS. MEDIAN SALRY
(INCLUDING ACTUAL ALLOWANCES) ON THIS PAYROLL WAS FROM
7500 TO 9500 KIP PER MONTH.

10. FOR EA/EX: FOREGOING AMOUNTS TO OFFICIAL
CONFIRMATION THAT LPDR IS NOW IN EFFECT PAYING ITS
CIVIL SERVANTS ON A NEW AND SIGNIFICANTLY HIGHER
SALARY-SCALE THAN THAT EMPLOYED IN OUR MOST RECENT WAGE
SURVEY (WHICH WAS CONDUCTED BEFORE CURRENCY CONVERSION).
WE ARE CONTINUING TO STUDY IMPLICATIONS FOR FSL WAGE-
SCALE AND WILL REPORT FINDINGS SOONEST. ENTIRE NEW
SURVEY MAY BE WARRANTED, BUT SHELL AND SOME OTHER
EMPLOYERS USED IN PAST SURVEYS ARE THEMSELVES STILL
WORKING OUT NEW RATES.
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